

2005-2006 INCENTIVE PLAN - SENIOR INVESTMENT OFFICER, GLOBAL EQUITIES (Wood)

Quantitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule	Quarterly Status Report
25%	Passive Domestic	Return Deviation in basis points relative to: Domestic Equity, Internal - CalPERS Custom Wilshire 2500 (SJ64 - \$Y08)	>-50 basis points = 0 >-30 basis points = 1.0 >-10 basis points = 1.5	+13 bps (3.93 – 3.80)
15%	Passive International (Asset Weighted)	International Equity, External – Financial Times all World Ex – US (SW7G - \$YGR or QR32). Internal International Equity – Financial Times all World Ex – US (SWB3 - \$YGR or QR32).	>-60 basis points = 0 >-40 basis points = 1.0 >-20 basis points = 1.5	+5 bps (10.68 – 10.63) +13 (10.76 – 10.63)

Quantitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule	Quarterly Status Report
10%	Active Domestic (Asset Weighted)	1. External Domestic Equity (DOMEQIC - \$ZT2 or ZT22). 2. Completion Fund (SW2M - \$ZZV).	#1 >+ 0 basis points = 0 >+ 50 basis points = 1.0 >+ 100 basis points = 1.5 #2 >-200 basis points = 0 >-100 basis points = 1.0 >-0 basis points = 1.5	1. -84 bps (3.44 – 4.28) 2. – 20 (3.43 – 3.63)
5%	Absolute Return Strategies	Return Relative to Program Benchmark (SNLCA1 – CPERHEDG or CPERHEDG2)	>+ 0 basis points = 0 >+ 50 basis points = 1.0 >+ 100 basis points = 1.5	+324 bps (4.92 – 1.68)
5%	Emerging Markets Managers	Excess return in basis points relative to the CalPERS FTSE All Emerging Index (SWYCA – QQ72)	> +0 basis points = 0 > +60 basis points = 1.0 > +120 basis points = 1.5	+241 bps (19.86 – 17.45)

2005-2006 INCENTIVE PLAN – SENIOR INVESTMENT OFFICER, GLOBAL EQUITIES (Wood) continued

Quantitative Performance Measures

7.5%	Active International	Excess return in basis points relative to: International Equity, external – Customized Benchmark created from investment-weighted Regional Indices. (INTLIC-CPERSIC2).	> 0 basis points = 0 >+60 basis points = 1.0 >+120 basis points = 1.5	+105 bps (12.00 – 10.95)
5%	Corporate Governance External	Excess return of CalPERS' external managers under the oversight of the Corporate Governance PM relative to their respective benchmarks. Governance funds asset weighted by committed capital. (SN6KA1 – CPERSECG or CPERSEC2).	>+75 basis points = 0 >+175 basis points = 1.0 >+275 basis points = 1.5	-348 bps (6.37 – 9.85)
2.5%	Corporate Governance Internal	Excess return of CalPERS Internal Relational Portfolio compared to the Wilshire 2500 (SW8B - \$Y082)	> 0 basis points = 0 >+100 basis points = 1.0 >+200 basis points = 1.5	-245 bps (1.35 – 3.80)
10%	Total Fund	Excess return in basis points relative to total fund performance benchmark (SJ1C – CPERSTOT or CPERSTO2).	> -40 basis points = 0 > 0 basis points = 1.0 >+20 basis points = 1.5	+76 bps (4.83 – 4.07)
85%	Subtotal	Quantitative Measures		

Qualitative Performance Measures

Weight	Factor	Performance Measure		Quarterly Status Report
5%	Strategic Plan for Global Equity	Gain Investment Committee approval of Global Equity Plan by June 30, 2006.	From schedule	On Schedule
5%	Enterprise Diversity	Implement all elements of the enterprise wide diversity plan that relate to the responsibilities of the investment office by June 30, 2006.	From schedule	On Schedule
5%	Environmental Investing	Fund at least two environmental / sustainable investment managers by March 31, 2006.	From schedule	On Schedule
15%	Subtotal	Qualitative Measures		
100%	Total	Quantitative and Qualitative Measures		

INCENTIVE PLAN CHANGE TEMPLATE

Name: Christy Wood

Position: Senior Investment Officer - Global Equity

Part A (Addition of Performance Measure)

Recommend the following Performance Measure be added to the Incentive Plan:

Weight	Factor	Performance Measure	Incentive Schedule	Quarterly Status Report Column
65%	Global Equity	Return deviation in basis points relative to Global Equity performance benchmark (GLOBLIC – CPERSGE)	> - 50 basis points = 0 > - 10 basis points = 1.0 > + 15 basis points = 1.5	

Reason for addition: Modify the incentive plan to reflect total Global Equity performance and capital allocation performance as opposed to individual portfolio performance.

Part B (Deletion of Performance Measure)

Recommend the following Performance Measure be deleted from the Current Incentive Plan:

Weight	Factor	Performance Measure	Incentive Schedule	Quarterly Status Report Column
25%	Passive Domestic	Return Deviation in basis points relative to: Domestic Equity, Internal - CalPERS Custom Wilshire 2500 (SJ64 - \$Y08)	>-50 basis points = 0 >-30 basis points = 1.0 >-10 basis points = 1.5	
15%	Passive International (Asset Weighted)	International Equity, External – Financial Times all World Ex – US (SW7G - \$YGR or QR32). Internal International Equity – Financial Times all World Ex – US (SWB3 - \$YGR or QR32).	>-60 basis points = 0 >-40 basis points = 1.0 >-20 basis points = 1.5	
10%	Active Domestic (Asset Weighted)	3. External Domestic Equity (DOMEQIC - \$ZT2 or ZT22). 4. Completion Fund (SW2M - \$ZZV).	#1 >+ 0 basis points = 0 >+ 50 basis points = 1.0 >+ 100 basis points = 1.5 #2 >-200 basis points = 0 >-100 basis points = 1.0 >-0 basis points = 1.5	
5%	Emerging Markets	Excess return in basis points relative to the CalPERS FTSE All Emerging	> +0 basis points = 0	

Weight	Factor	Performance Measure	Incentive Schedule	Quarterly Status Report Column
	Managers	Index (SWYCA – QQ72)	> +60 basis points = 1.0 > +120 basis points =1.5	
7.5%	Active International	Excess return in basis points relative to: International Equity, external – Customized Benchmark created from investment-weighted Regional Indices. (INTLIC-CPERSIC2).	> 0 basis points = 0 >+60 basis points = 1.0 >+120 basis points = 1.5	

Reason for deletion: Same as reason given above.

Part C (Modification of Performance Measure)

Recommend the Performance Measure(s) listed below be modified an indicated:

Description in Current Incentive Plan:

Weight	Factor	Performance Measure	Incentive Schedule	Quarterly Status Report Column
5%	Corporate Governance External	Excess return of CalPERS’ external managers under the oversight of the Corporate Governance PM relative to their respective benchmarks. Governance funds asset weighted by committed capital. (SN6KA1 – CPERSECG or CPERSEC2).	>+75 basis points = 0 >+175 basis points =1.0 >+275 basis points = 1.5	

Proposed description (changes shown in **bold**):

Weight	Factor	Performance Measure	Incentive Schedule	Quarterly Status Report Column
2.5%	Corporate Governance External	Excess return of CalPERS’ external managers under the oversight of the Corporate Governance PM relative to their respective benchmarks. Governance funds asset weighted by invested capital. (SN6KA1 - CPERSECG).	>+75 basis points = 0 >+175 basis points =1.0 >+275 basis points = 1.5	

Reason for proposed change:

Weight: Same as reason given above.

External manager performance is calculated on “invested” capital not “committed” capital; therefore, changing performance measure is revised to accurately reflect this.

Supervisor’s Approval: Original signed by Mark Anson

Date: November 30, 2005